

MULTICHOICE GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2018/473845/06)

JSE Share Code: MCG ISIN: ZAE000265971

("MultiChoice" or "the Company" or "MCG")

MultiChoice acquires a further holding in BetKing

Introduction

In October 2020, MultiChoice acquired a 20% shareholding in Blue Lake Ventures Limited, a pan-African sports betting and entertainment business trading as BetKing ("BetKing"). Shareholders are advised that MultiChoice, through its wholly-owned subsidiary, Mwendo Holdings B.V. ("Mwendo"), is increasing its holding in BetKing to a non-controlling stake of 49% ("the Transaction"), in line with its strategy to expand its entertainment ecosystem and develop meaningful drivers of future value.

Information on BetKing

BetKing is a leading digital and sports entertainment platform focused on the African continent. Pioneering product verticals that keep sports fans engaged, BetKing's mission is to create integrated product, payment and technology solutions that are optimized for local market needs - delivered through its unique online and agent distribution model that empowers entrepreneurs across the continent. BetKing's vertically integrated operating model is unique on the continent and enables the company to operate at scale and speed whilst also being able to customize its approach for new markets and adjacent segments. The business is expected to expand rapidly across Africa in the coming years, whilst broadening its vertical presence to further enhance its digital entertainment portfolio.

Principal terms of the Transaction and transactional steps

The Transaction consists of three transactional steps:

1. The creation of a BetKing employee share option plan ("ESOP"). 10% equity in BetKing will be allocated to the ESOP, with equal dilution across all current BetKing shareholders to fund the equity allocation. MCG's shareholding will consequently reduce from 20% to 18%.
2. The acquisition of a 9.6% stake in BetKing for USD100m by Mwendo as part of an equity raise to fund BetKing's expansion and medium-term business plan, resulting in MCG's shareholding in BetKing increasing to 27.6%.
3. The acquisition by Mwendo of a 21.4% stake in BetKing from partially-exiting minority shareholders for USD181.5m, which is at the same valuation as the equity issuance, resulting in MCG's shareholding in BetKing to increase to 49%.

Steps 2 and 3 will occur concurrently, after the allocation of the ESOP shares. The total Transaction consideration, which amounts to USD281.5m, will be debt funded.

As a result of the above Transaction, the Agterskot (earn out) from the original 20% investment transaction concluded in October 2020 will be triggered and a further USD31m will be payable. This will require MCG to raise R4.0bn in ZAR-denominated debt, a condition precedent to the Transaction.

Rationale for the Transaction

Consumers have a growing abundance of entertainment options available to them. It is therefore important for MultiChoice to maintain its relevance and grow its share of engagement time and consumer spend by expanding its entertainment platform with a more comprehensive offering and a greater number of products and services.

Pursuing an adjacency such as sports betting creates a natural extension to the MultiChoice video entertainment platform to further enhance its product set. Well established in Europe and fueled by its legalisation in the USA in 2018, the global sports betting market is currently experiencing a surge in growth. According to a recent report by Technavio, it is set to grow by more than USD134bn between 2020 and 2024, representing a CAGR of 10%. As Africa currently comprises only 2% of global sports betting revenue, it is poised for significant momentum as it begins to play catch up.

By leveraging its own proprietary technology which allows it to adapt to the unique challenges of each market, BetKing is particularly well positioned to capture a large share of the African growth opportunity. It will also benefit from SuperSport's strong brand and reach across the continent, as well as MCG's regional presence and acumen. BetKing will use the proceeds of the capital raise to expand its product set and geographic footprint to more markets on the continent.

Net asset value and profits

BetKing's summarized financial information (for the financial years ended December) is as follows:

Metric	FY19 USDm	FY20 USDm	Growth %
Revenue	54.7	77.9	43
EBITDA	2.4	11.3	362
Profit after tax	-0.3	1.6	n.m

BetKing's net asset value as at the end of December 2020 amounted to USD100.2m.

The financial information in respect of FY19 has been extracted from management accounts and MCG is satisfied with the quality of those management accounts. The financial information in respect of FY20 has been audited and is in terms of IFRS.

Conditions precedent to the Transaction

Subject to fulfilment or waiver (where capable of waiver) of the outstanding conditions precedent, the Transaction is expected to close in August 2021. The conditions precedent to the Transaction are as follows:

- Finalisation of the ESOP
- Securing of debt funding to finance the Transaction

- Agreement of an appropriate exit clause for minorities who are partially selling down to recover some of their initial investment
- Regulatory approvals by the relevant competition or antitrust authorities in several jurisdictions
- Conclusion of legal agreements to reflect the transactions listed above

Categorisation

The Transaction constitutes a Category 2 transaction in terms of the JSE Limited Listings Requirements and, as such, no shareholder approval is required.

Randburg

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For further information:

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Corporate affairs

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Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Important notice

Shareholders should take note that, pursuant to a provision of the MultiChoice memorandum of incorporation, MultiChoice is permitted to reduce the voting rights of shares in MultiChoice (including MultiChoice shares deposited in terms of the American Depositary Share ("ADS") facility) so that the aggregate voting power of MultiChoice shares that are presumptively owned or held by foreigners to South Africa (as envisaged in the MultiChoice memorandum of incorporation) will not exceed 20% of the total voting power in MultiChoice. This is to ensure compliance with certain statutory requirements applicable to South Africa. For this purpose, MultiChoice will presume in particular that:

- all MultiChoice shares deposited in terms of the MultiChoice ADS facility are owned or held by foreigners to South Africa, regardless of the actual nationality of the MultiChoice ADS holder; and
- all shareholders with an address outside of South Africa on the register of MultiChoice will be deemed to be foreigners to South Africa, irrespective of their actual nationality or domicile, unless such shareholder can provide proof, to the satisfaction of the MultiChoice board, that it should not be deemed to be a foreigner to South Africa, as envisaged in article 40.1.3 of the MultiChoice memorandum of incorporation.

Shareholders are referred to the provisions of the MultiChoice memorandum of incorporation available at www.multichoice.com for further detail. If shareholders are in any doubt as to what action to take, they should seek advice from their bro